

MAQUOKETA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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Maquoketa Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Mary Bartels	President	2007
Anne Pitcher Hawks	Vice President	2008
Brian Tabor	Board Member	2006
Leslie Lawson	Board Member	2007
Bill Schwenker	Board Member	2008
Board of Education (After September 2006 Election)		
Anne Pitcher Hawks	President	2008
Brian Tabor	Vice President	2009
Mary Bartels	Board Member	2007
Leslie Lawson	Board Member	2007
Bill Schwenker	Board Member	2008
School Officials		
Kim Huckstadt	Superintendent	2007
Barbara A. McKeon	District Secretary/Treasurer and Business Coordinator	2007
Steve Kahler	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Maquoketa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District, Maquoketa, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

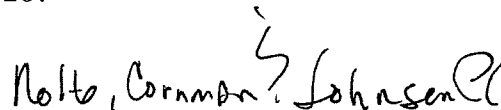
In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2008 on our consideration of Maquoketa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Members American Institute & Iowa Society of Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maquoketa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,505,178 in fiscal 2006 to \$14,217,979 in fiscal 2007, while General Fund expenditures increased from \$13,670,822 in fiscal 2006 to \$14,023,913 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$1,480,044 in fiscal 2006 to a balance of \$1,674,110 in fiscal 2007, a 13.11% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in instruction services.
- The district's General Fund solvency ratio (Unreserved, Undesignated General Fund Balance divided by Actual General Fund Revenues) increased from 9.90% in fiscal 2006 to 10.78% in fiscal 2007. The Iowa Association of School Boards recommends a target range of 5-10%.
- Voters in Clinton, Jackson & Dubuque County passed a Local Option Sales and Service Tax of 1% for ten years, beginning July 1, 2001, 2002 and 2003 consecutively, for the purpose of school infrastructure needs. In January 2007, voters of the District approved extending the tax for another ten years for the period of July 1, 2012 through June 30, 2022. The proceeds may be used for purposes identified in the Revenue Purpose Statement. The definition is expanded slightly to include expenditures in the Iowa Code for the Physical Plant and Equipment Levy. The district received proceeds of \$1,017,850 during fiscal year 2007. The resources were used to finance: Office addition to the Middle School; new tennis courts; replace the track; additional classrooms and restrooms at the Cardinal Elementary and the High School; new pit style gymnasium at the High School; and renovations of the High School Office, Commons and Kitchen.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Maquoketa Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Maquoketa Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Maquoketa Community

School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

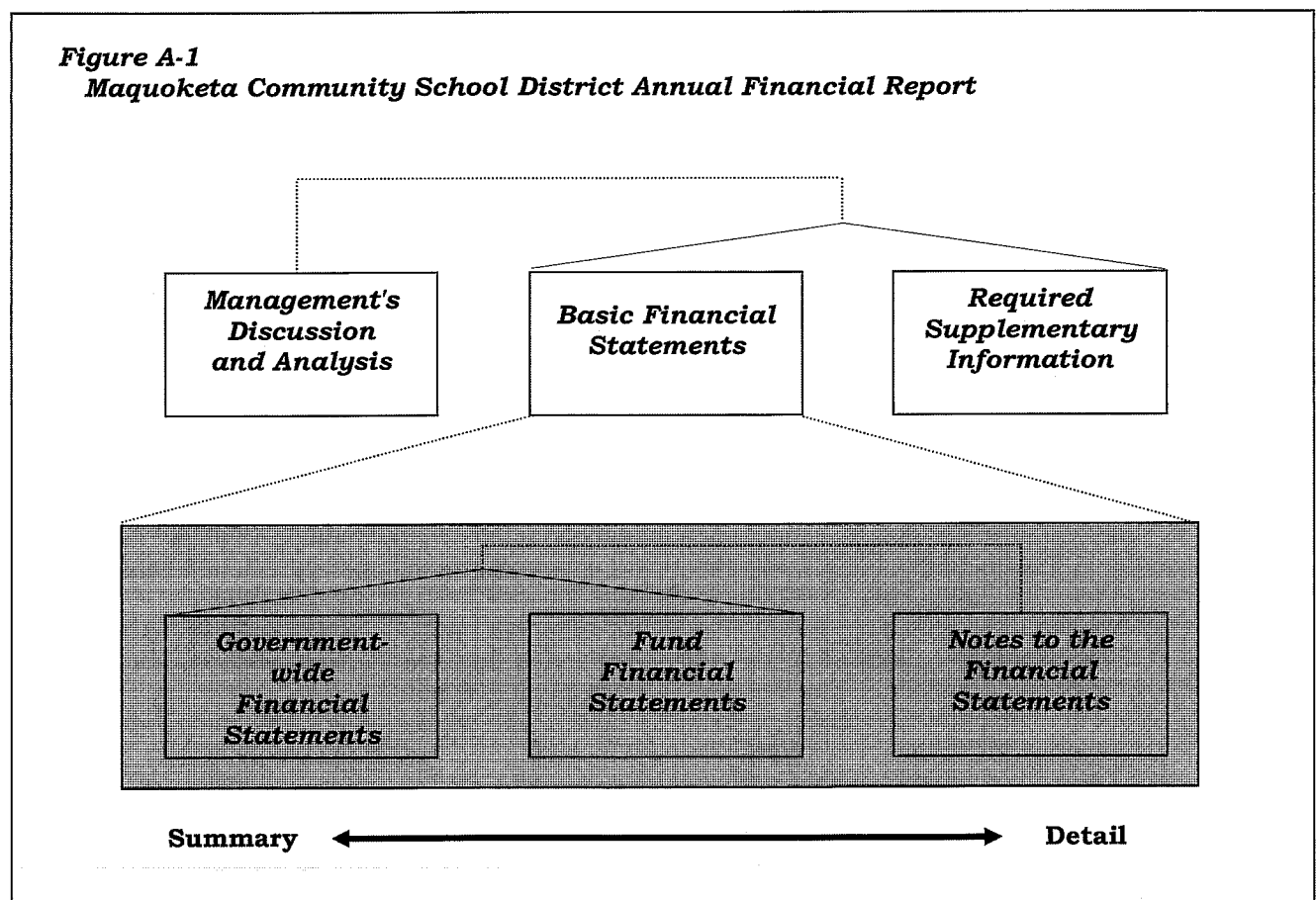


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds are the Private Purpose Trust Fund, and the Agency Fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds for which the District administers and accounts for certain revenue collected for other groups.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 16,932,250	10,762,225	94,983	55,405	17,027,233	10,817,630	57.40%
Capital assets	9,015,766	7,775,203	54,412	53,739	9,070,178	7,828,942	15.85%
Total assets	25,948,016	18,537,428	149,395	109,144	26,097,411	18,646,572	39.96%
Long-term obligations	6,709,583	1,493,782	0	0	6,709,583	1,493,782	349.17%
Other liabilities	6,137,016	5,599,128	227	4,301	6,137,243	5,603,429	9.53%
Total liabilities	12,846,599	7,092,910	227	4,301	12,846,826	7,097,211	81.01%
Net assets:							
Invested in capital assets, net of related debt	6,558,452	7,194,216	54,412	53,739	6,612,864	7,247,955	-8.76%
Restricted	2,473,889	655,751	0	0	2,473,889	655,751	277.26%
Unrestricted	4,069,076	3,594,551	94,756	51,104	4,163,832	3,645,655	14.21%
Total net assets	\$ 13,101,417	11,444,518	149,168	104,843	13,250,585	11,549,361	14.73%

The District's combined net assets increased by 14.73% or \$1,701,174 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$1,818,138 or 277.26% over the prior year. The increase was primarily due to the reclassification on the Capital Projects and Debt Service Funds.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal

requirement - increased \$518,177 or 14.21%. The increase was primarily due to the increase in net assets in the Internal Service Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,870,607	1,817,562	312,349	306,712	2,182,956	2,124,274	2.76%
Operating grants and contributions and restricted interest	2,026,297	1,926,155	406,928	383,632	2,433,225	2,309,787	5.34%
Capital grants and contributions and restricted interest	35,000	77,507	0	0	35,000	77,507	-54.84%
General revenues:							
Property tax	4,183,879	4,143,605	0	0	4,183,879	4,143,605	0.97%
Income surtax	475,486	441,346	0	0	475,486	441,346	7.74%
Local option sales and service tax	1,017,850	709,845	0	0	1,017,850	709,845	43.39%
Unrestricted state grants	6,626,896	6,238,490	0	0	6,626,896	6,238,490	6.23%
Unrestricted investment earnings	259,327	176,243	265	124	259,592	176,367	47.19%
Other general revenues	52,586	35,426	0	0	52,586	35,426	48.44%
Transfers	(11,492)	0	0	0	(11,492)	0	-100.00%
Total revenues	16,536,436	15,566,179	719,542	690,468	17,255,978	16,256,647	6.15%
Program expenses:							
Governmental activities:							
Instructional	9,922,908	9,575,560	0	0	9,922,908	9,575,560	3.63%
Support services	4,075,130	3,969,143	38,024	20,758	4,113,154	3,989,901	3.09%
Non-instructional programs	4,522	5,579	637,193	636,320	641,715	641,899	-0.03%
Other expenses	876,977	873,646	0	0	876,977	873,646	0.38%
Total expenses	14,879,537	14,423,928	675,217	657,078	15,554,754	15,081,006	3.14%
Changes in net assets before capital contributions	1,656,899	1,142,251	44,325	33,390	1,701,224	1,175,641	44.71%
Capital contributions	0	0	0	7,572	0	7,572	-100.00%
Changes in net assets	1,656,899	1,142,251	44,325	40,962	1,701,224	1,183,213	43.78%
Net assets beginning of year	11,444,518	10,302,267	104,843	63,881	11,549,361	10,366,148	11.41%
Net assets end of year	\$ 13,101,417	11,444,518	149,168	104,843	13,250,585	11,549,361	14.73%

In fiscal 2007, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 74.41% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.96% of the revenue from business-type activities.

The District's total revenues, net transfers were \$17,255,978 of which \$16,536,436 was for governmental activities and \$719,542 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 6.15% increase in revenues and a 3.14% increase in expenses. Unrestricted state grants increased by \$388,406 to fund

increases in expenditures. The increases in expenses related to increases in negotiated salary and benefits as well as increases in expenses funded by grants received by the District. In addition, the District saw increased expenses due to increases in fuel, natural gas and electricity costs.

Governmental Activities

Revenues, net transfers for governmental activities were \$16,536,436 and expenses were \$14,879,537.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 9,922,908	9,575,560	3.63%	6,582,390	6,345,989	3.73%
Support services	4,075,130	3,969,143	2.67%	3,988,121	3,917,488	1.80%
Non- instructional program	4,522	5,579	-18.95%	4,522	5,579	-18.95%
Other expenses	876,977	873,646	0.38%	372,600	333,648	11.67%
Totals	\$ 14,879,537	14,423,928	3.16%	10,947,633	10,602,704	3.25%

- The cost financed by users of the District's programs was \$1,870,607.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,061,297.
- The net cost of governmental activities was financed with \$4,183,879 in property tax, \$475,486 in income surtax, \$1,017,850 in local option sales and service tax, \$6,626,896 in unrestricted state grants, \$259,327 in unrestricted investment earnings and \$52,586 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$719,542 and expenses were \$675,317. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Maquoketa Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$8,228,143, above last year's ending fund balances of \$2,864,117. However, the primary reason for the increase was the issuance of \$6,120,000 in revenue bonds in the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,480,044 on June 30, 2006 to \$1,674,110 on June 30, 2007. The District's General Fund financial position is the product of many factors. An increase in the local tax, tuition, other local sources and state grant revenue during the year resulted in an increase in total revenues. The increase in expenditures was due to the increases in employee's salaries and benefits and increases in fuel, natural gas and electricity costs. Revenues did exceed expenditures ensuring the increase in the District's financial position.
- The Capital Projects Fund balance increased during the current year from \$287,495 in 2006, to \$5,294,435 in 2007. This increase resulted from the issuance of \$6,120,000 in revenue bonds during the year.
- The Debt Service Fund balance increased from \$466,923 in 2006, to \$677,722 in 2007, due to the debt requirements to fund the final payment of the Revenue Bonds due in 2023.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$104,843 at June 30, 2006 to \$149,168 at June 30, 2007, representing an increase of 42.28%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$371,776 more than budgeted revenues, a variance of 2.20%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures. For fiscal year ending June 30, 2007 the District did amend their certified budget in all functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$9.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 15.85% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$401,229.

The original cost of the District's capital assets was \$17,689,547. Governmental funds account for \$17,507,941 with the remainder of \$181,606 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,433,820 at June 30, 2007, compared to \$0 reported at June 30, 2006. This increase resulted from the current year capital facility construction that was started during the year, but not yet completed on the High School Gym and renovation project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 234,026	234,026	0	0	234,026	234,026	0.00%
Construction in progress	1,433,820	0	0	0	1,433,820	0	100.00%
Buildings	6,162,620	6,310,806	0	0	6,162,620	6,310,806	-2.35%
Land improvements	643,470	614,766	0	0	643,470	614,766	4.67%
Machinery and equipment	541,830	615,605	54,412	53,739	596,242	669,344	-10.92%
Total	\$ 9,015,766	7,775,203	54,412	53,739	9,070,178	7,828,942	15.85%

Long-Term Debt

At June 30, 2007, the District had \$6,709,583 in general obligation, revenue and other long-term debt outstanding. This represents an increase of 349.17% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$515,000 at June 30, 2007. The Debt Service Fund will pay for these bonds with local tax revenues.

At June 30, 2007, the District had revenue bonds payable of \$6,120,000. These bonds are paid with local option sales and service tax revenues transferred from the Capital Projects Fund.

The District had early retirement payable of \$43,777 at June 30, 2007 payable from the Special Revenue, Management Levy Fund.

The District had compensated absences payable of \$30,806 at June 30, 2007 payable from the General Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
General obligation bonds	\$ 515,000	800,000	-35.63%
Revenue Bonds	6,120,000	530,000	1054.72%
Early retirement	43,777	140,943	-68.94%
Compensated absences	30,806	22,839	34.88%
Total	\$ 6,709,583	1,493,782	349.17%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's certified enrollment is down 2 students for funding of fiscal year 2007. Projections indicate the District may have declining enrollment in future years.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made

without thorough consideration of our unspent authorized budget. The district's cash balance will support short term funding shortfalls from the state.

- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The District has a Whole Grade Sharing Agreement with Delwood Community School, whereby Delwood School sends their 7-12 students to Maquoketa Schools. During fiscal year 2007, Delwood School paid Maquoketa School \$441,458 for regular education service. The agreement has been renewed and the tuition per student increases from 85% to 92% of the States District Cost Per Pupil, beginning with the 2006-07 school year. The contract is for three years, annually renewing for a three year term.
- During the 2005-06 school year, the District entered into an agreement with Andrew Community School District, whereby Andrew students may attend Maquoketa High School Classes. The 2006-07 fee per student per semester was \$354, up from \$340 for fiscal year 2005-06. The revenue generated is not significant, but the arrangement benefits both districts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barbara A. McKeon, District Board Secretary/Treasurer, Maquoketa Community School District, 612 S Vermont St., Maquoketa, Iowa, 52060, (563) 652-4984.

BASIC FINANCIAL STATEMENTS

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 11,523,172	86,647	11,609,819
Receivables:			
Property tax:			
Delinquent	82,470	0	82,470
Succeeding year	4,185,241	0	4,185,241
Income surtax	407,457	0	407,457
Accounts	40,663	978	41,641
Due from other governments	693,247	0	693,247
Inventories	0	7,358	7,358
Capital assets, net of accumulated depreciation (Note 4)	9,015,766	54,412	9,070,178
TOTAL ASSETS	25,948,016	149,395	26,097,411
LIABILITIES			
Accounts payable	670,275	13	670,288
Salaries and benefits payable	1,025,787	214	1,026,001
Incurred but not reported claims	225,386	0	225,386
Interest payable	4,039	0	4,039
Deferred revenue:			
Succeeding year property tax	4,185,241	0	4,185,241
Other	26,288	0	26,288
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds payable	295,000	0	295,000
Early retirement payable	43,777	0	43,777
Compensated absences payable	30,806	0	30,806
Portion due after one year:			
General obligation bonds payable	220,000	0	220,000
Revenue bonds payable	6,120,000	0	6,120,000
TOTAL LIABILITIES	12,846,599	227	12,846,826
NET ASSETS			
Invested in capital assets, net of related debt	6,558,452	54,412	6,612,864
Restricted for:			
Debt service	677,722	0	677,722
Talented and gifted	127,544	0	127,544
Salary improvement program	600	0	600
Professional development	3,100	0	3,100
Additional teacher contract day	58	0	58
Market factor	10,017	0	10,017
Capital projects	1,116,749	0	1,116,749
Management levy	88,838	0	88,838
Physical plant and equipment levy	215,006	0	215,006
Other special revenue purposes	234,255	0	234,255
Unrestricted	4,069,076	94,756	4,163,832
TOTAL NET ASSETS	\$ 13,101,417	149,168	13,250,585

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 5,069,381	999,743	1,279,648	0	(2,789,990)	0	(2,789,990)
Special instruction	2,868,397	478,615	172,511	0	(2,217,271)	0	(2,217,271)
Other instruction	1,985,130	369,993	40,008	0	(1,575,129)	0	(1,575,129)
	9,922,908	1,848,351	1,492,167	0	(6,582,390)	0	(6,582,390)
Support services:							
Student services	467,032	0	0	0	(467,032)	0	(467,032)
Instructional staff services	454,486	0	0	0	(454,486)	0	(454,486)
Administration services	1,413,646	0	0	0	(1,413,646)	0	(1,413,646)
Operation and maintenance of plant services	1,091,779	0	0	35,000	(1,056,779)	0	(1,056,779)
Transportation services	648,187	22,256	29,753	0	(596,178)	0	(596,178)
	4,075,130	22,256	29,753	35,000	(3,988,121)	0	(3,988,121)
Non-instructional programs:							
Food service operations	4,522	0	0	0	(4,522)	0	(4,522)
Other expenditures:							
Long-term debt interest	134,591	0	0	0	(134,591)	0	(134,591)
AEA flowthrough	504,377	0	504,377	0	0	0	0
Depreciation(unallocated)*	238,009	0	0	0	(238,009)	0	(238,009)
	876,977	0	504,377	0	(372,600)	0	(372,600)
Total governmental activities	14,879,537	1,870,607	2,026,297	35,000	(10,947,633)	0	(10,947,633)
Business-Type activities:							
Support services:							
Administration services	38,024	0	0	0	0	(38,024)	(38,024)
Non-instructional programs:							
Nutrition services	637,193	312,349	406,928	0	0	82,084	82,084
Total business-type activities	675,217	312,349	406,928	0	0	44,060	44,060
Total	\$ 15,554,754	2,182,956	2,433,225	35,000	(10,947,633)	44,060	(10,903,573)
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes					\$ 3,607,929	0	3,607,929
Debt services					302,320	0	302,320
Capital outlay					273,630	0	273,630
Income surtax					475,486	0	475,486
Local option sales and service tax					1,017,850	0	1,017,850
Unrestricted state grants					6,626,896	0	6,626,896
Unrestricted investment earnings					259,327	265	259,592
Other general revenues					52,586	0	52,586
Transfers					(11,492)	0	(11,492)
Total general revenues and transfers					12,604,532	265	12,604,797
Changes in net assets					1,656,899	44,325	1,701,224
Net assets beginning of year					11,444,518	104,843	11,549,361
Net assets end of year					\$ 13,101,417	149,168	13,250,585

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments	\$ 2,326,841	5,551,573	671,732	575,405	9,125,551
Receivables:					
Property tax					
Delinquent	66,485	0	5,784	10,201	82,470
Succeeding year	3,353,518	0	305,872	525,851	4,185,241
Income surtax	407,457	0	0	0	407,457
Accounts	37,130	1,530	176	1,827	40,663
Due from other governments	443,267	249,897	30	53	693,247
TOTAL ASSETS	\$ 6,634,698	5,803,000	983,594	1,113,337	14,534,629
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 148,066	508,565	0	5,082	661,713
Salaries and benefits payable	1,025,259	0	0	528	1,025,787
Deferred revenue:					
Succeeding year property tax	3,353,518	0	305,872	525,851	4,185,241
Income surtax	407,457	0	0	0	407,457
Other	26,288	0	0	0	26,288
Total liabilities	4,960,588	508,565	305,872	531,461	6,306,486
Fund balances:					
Reserved for:					
Debt service	0	0	677,722	0	677,722
Capital facility construction	0	4,177,686	0	0	4,177,686
Talented and gifted	127,544	0	0	0	127,544
Salary improvement program	600	0	0	0	600
Professional development	3,100	0	0	0	3,100
Additional teacher contract day	58	0	0	0	58
Market factor	10,017	0	0	0	10,017
Unreserved:					
General	1,532,791	0	0	0	1,532,791
Capital projects	0	1,116,749	0	0	1,116,749
Management levy	0	0	0	132,615	132,615
Physical plant and equipment levy	0	0	0	215,006	215,006
Other special revenue purposes	0	0	0	234,255	234,255
Total fund balances	1,674,110	5,294,435	677,722	581,876	8,228,143
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,634,698	5,803,000	983,594	1,113,337	14,534,629

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 16) \$ 8,228,143

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 9,015,766

Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (4,039)

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 2,163,673

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 407,457

Long-term liabilities, including bonds payable, compensated absences payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (6,709,583)

Net assets of governmental activities (page 14) \$ 13,101,417

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,832,645	1,017,850	302,320	524,400	5,677,215
Tuition	1,417,048	0	0	0	1,417,048
Other	383,922	66,726	15,684	416,199	882,531
Intermediate sources	0	0	0	165	165
State sources	8,014,349	0	244	435	8,015,028
Federal sources	555,941	0	0	0	555,941
Total revenues	14,203,905	1,084,576	318,248	941,199	16,547,928
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	5,226,185	0	0	87,393	5,313,578
Special instruction	2,868,397	0	0	0	2,868,397
Other instruction	1,621,737	0	0	371,249	1,992,986
	9,716,319	0	0	458,642	10,174,961
Support services:					
Student services	477,299	0	0	1,460	478,759
Instructional staff services	455,482	0	0	16,882	472,364
Administration services	1,374,192	4,287	0	35,627	1,414,106
Operation and maintenance of plant services	1,001,918	0	0	78,711	1,080,629
Transportation services	494,326	0	0	129,632	623,958
	3,803,217	4,287	0	262,312	4,069,816
Non-instructional programs:					
Food service operations	0	0	0	12,698	12,698
Other expenditures:					
Facilities acquisitions	0	1,349,841	0	243,834	1,593,675
Long-term debt:					
Principal	0	0	815,000	0	815,000
Interest and fiscal charges	0	107,840	28,117	0	135,957
AEA flowthrough	504,377	0	0	0	504,377
	504,377	1,457,681	843,117	243,834	3,049,009
Total expenditures	14,023,913	1,461,968	843,117	977,486	17,306,484
Excess(deficiency) of revenues over(under) expenditures	179,992	(377,392)	(524,869)	(36,287)	(758,556)
Other financing sources(uses):					
Transfers in	0	14,536	750,204	0	764,740
Transfers out	0	(750,204)	(14,536)	(11,492)	(776,232)
Issuance of revenue bonds	0	6,120,000	0	0	6,120,000
Proceeds from the disposal of property	14,074	0	0	0	14,074
Total other financing sources(uses)	14,074	5,384,332	735,668	(11,492)	6,122,582
Net change in fund balances	194,066	5,006,940	210,799	(47,779)	5,364,026
Fund balance beginning of year	1,480,044	287,495	466,923	629,655	2,864,117
Fund balance end of year	\$ 1,674,110	5,294,435	677,722	581,876	8,228,143

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 5,364,026

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital expenditures exceeded depreciation expense and loss on disposal of capital assets in the current year, as follows:

Capital expenditures	\$ 1,637,079	
Depreciation expense	(392,497)	
Loss on disposal of capital assets	(4,019)	1,240,563

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ (6,120,000)	
Repaid	815,000	(5,305,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,366

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.

266,745

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	\$ 97,166	
Compensated absences	(7,967)	89,199

Changes in net assets of governmental activities (page 15) \$ 1,656,899

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
ASSETS		
Cash and cash equivalents	\$ 86,647	2,397,621
Receivables:		
Accounts	978	0
Inventories	7,358	0
Capital assets, net of accumulated depreciation(Note 4)	54,412	0
TOTAL ASSETS	149,395	2,397,621
LIABILITIES		
Accounts payable	13	8,562
Salaries and benefits payable	214	0
Incurred but not reported claims	0	225,386
TOTAL LIABILITES	227	233,948
NET ASSETS		
Invested in capital assets, net of related debt	54,412	0
Unrestricted	94,756	2,163,673
TOTAL NET ASSETS	\$ 149,168	2,163,673

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 312,349	2,069,807
TOTAL OPERATING REVENUES	312,349	2,069,807
OPERATING EXPENSES:		
Support services:		
Administration services:		
Salaries	21,715	0
Benefits	15,509	0
Services	737	0
Supplies	63	0
Total support services	38,024	0
Non-instructional programs:		
Food service operations:		
Salaries	153,870	0
Benefits	85,791	0
Services	4,270	0
Supplies	382,305	0
Depreciation	8,732	0
	634,968	0
Other enterprise operations:		
Benefits	0	1,785,110
Services	0	9,000
Supplies	0	8,952
	0	1,803,062
Total non-instructional programs	634,968	1,803,062
TOTAL OPERATING EXPENSES	672,992	1,803,062
OPERATING INCOME (LOSS)	(360,643)	266,745
NON-OPERATING REVENUES (EXPENSES):		
Interest income	265	0
Loss on disposal of capital assets	(2,225)	0
State sources	9,166	0
Federal sources	397,762	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	404,968	0
Changes in net assets	44,325	266,745
Net assets beginning of year	104,843	1,896,928
Net assets end of year	\$ 149,168	2,163,673

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 305,548	0
Cash received from miscellaneous operating activities	2,570	2,070,960
Cash payments to employees for services	(276,671)	(1,783,032)
Cash payments to suppliers for goods or services	(339,082)	(17,952)
Net cash provided by (used in) operating activities	(307,635)	269,976
Cash flows from non-capital financing activities:		
State grants received	9,166	0
Federal grants received	350,133	0
Net cash provided by non-capital financing activities	359,299	0
Cash flows from investing activities:		
Interest on investments	265	0
Net cash provided by investing activities	265	0
Cash flows from capital financing activities:		
Purchase of assets	(11,630)	0
Net cash used in financing activities	(11,630)	0
Net increase in cash and cash equivalents	40,299	269,976
Cash and cash equivalents at beginning of year	46,348	2,127,645
Cash and cash equivalents at end of year	\$ 86,647	2,397,621
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (360,643)	266,745
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities consumed	47,629	0
Depreciation	8,732	0
Decrease in inventories	907	0
(Increase) Decrease in accounts receivable	(186)	1,153
Decrease in accounts payable	(243)	(22,901)
Increase (Decrease) in salaries and benefits payable	214	(8,073)
Increase in incurred but not reported claims	0	33,052
Decrease in unearned revenue	(4,045)	0
Net cash provided by (used in) operating activities	\$ (307,635)	269,976
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 86,647	2,397,621
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2007, the District received Federal commodities valued at \$47,629.		
SEE NOTES TO FINANCIAL STATEMENTS.		

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 159,197	2,473
Accounts receivable	2,857	0
	<u>\$ 162,054</u>	<u>2,473</u>
LIABILITIES		
Accounts payable	0	100
Due to other groups	0	2,373
	<u>0</u>	<u>2,473</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 162,054</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2007

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 4,075
Interest income	7,513
Total additions	<u>11,588</u>
Deletions:	
Instruction:	
Regular instruction:	
Scholarships awarded	<u>5,830</u>
Total deletions	<u>5,830</u>
Change in net assets before other financing sources	5,758
Other financing sources:	
Transfer in	<u>11,492</u>
Change in net assets	17,250
Net assets beginning of year	<u>144,804</u>
Net assets end of year	<u>\$ 162,054</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Maquoketa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Maquoketa, Iowa, and the predominate agricultural territory in Dubuque, Clinton, and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Maquoketa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Maquoketa Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dubuque, Clinton, and Jackson County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation plus unspent bond proceeds that equal the construction in progress contracts outstanding and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds are as follows:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement

grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates are stated at fair value.

At June 30, 2007, the District had investments in Certificates of Deposit maturing over a year as follows:

	Fair Value
Certificates of deposit	<u>\$ 4,400,000</u>

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	<u>\$ 112,172</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 750,204
Capital Projects	Debt Service	14,536
Private Purpose Trust	Special Revenue, Support Trust	11,492
Total		<u>\$ 776,232</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 234,026	0	0	234,026
Construction in progress	0	1,433,820	0	1,433,820
Total capital assets not being depreciated	234,026	1,433,820	0	1,667,846
Capital assets being depreciated:				
Buildings	11,582,550	42,975	0	11,625,525
Land improvements	1,058,743	75,552	0	1,134,295
Machinery and equipment	3,038,965	84,732	43,422	3,080,275
Total capital assets being depreciated	15,680,258	203,259	43,422	15,840,095
Less accumulated depreciation for:				
Buildings	5,271,744	191,161	0	5,462,905
Land improvements	443,977	46,848	0	490,825
Machinery and equipment	2,423,360	154,488	39,403	2,538,445
Total accumulated depreciation	8,139,081	392,497	39,403	8,492,175
Total capital assets being depreciated, net	7,541,177	(189,238)	4,019	7,347,920
Governmental activities capital assets, net	\$ 7,775,203	1,244,582	4,019	9,015,766
Business-type activities:				
Machinery and equipment	\$ 179,628	11,630	9,652	181,606
Less accumulated depreciation	125,889	8,732	7,427	127,194
Business-type activities capital assets, net	\$ 53,739	2,898	2,225	54,412

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 16,505
Other	2,341

Support services:

Instructional staff services	5,866
Administration services	20,963
Operation and maintenance of plant services	4,809
Transportation	104,004
	<u>154,488</u>

Unallocated depreciation

238,009

Total governmental activities depreciation expense

\$ 392,497

Business-type activities:

Food services	<u>\$ 8,732</u>
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(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 800,000	0	285,000	515,000	295,000
Revenue bonds	530,000	6,120,000	530,000	6,120,000	0
Early retirement	140,943	0	97,166	43,777	43,777
Compensated absences	22,839	30,806	22,839	30,806	30,806
Total	<u>\$ 1,493,782</u>	<u>6,150,806</u>	<u>935,005</u>	<u>6,709,583</u>	<u>369,583</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue April 15, 2004		
		Principal	Interest	Total
2008	2.10-2.30 %	\$ 295,000	10,473	305,473
2009	2.45-2.55	220,000	4,152	224,152
Total		<u>\$ 515,000</u>	<u>14,625</u>	<u>529,625</u>

Revenue Bonds Payable

Details of the District's June 30, 2007 revenue bonded indebtedness is as follows:

Year Ending June 30,	Bonds dated June 28, 2007			
	Interest Rate	Principal	Interest	Total
2008	4.00 % \$	0	124,440	124,440
2009	4.00	280,000	239,200	519,200
2010	4.00	290,000	227,800	517,800
2011	4.00	300,000	216,000	516,000
2012	4.00	310,000	203,800	513,800
2013-2017	4.00	1,985,000	798,100	2,783,100
2018-2022	4.00	2,415,000	356,900	2,771,900
2023	4.00	540,000	10,800	550,800
Total		\$ 6,120,000	2,177,040	8,297,040

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$604,800 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to 50% of the employee's current salary (without extra duty increments, Phase III monies and extended term contracts). The District paid \$97,166 in early retirement benefits during the year ended June 30, 2007. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$476,697, \$480,406, and \$440,068, respectively, equal to the required contributions for each year.

(7) Risk Management

The District has a self-funded health and self-funded dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$2,163,673 at June 30, 2007. The incurred but not recorded and unpaid claims liability of \$225,386 reported in the plan at June 30, 2007 based on the requirements of GASB Statement Number 10, is set up as a liability.

In addition, the District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$504,377 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Construction Commitment

The District has entered into contracts totaling \$5,611,506 for construction on the High School Gym and renovation project. As of June 30, 2007, costs of \$1,433,820 had been incurred against

the contracts. The balance of \$4,177,686 remaining at June 30, 2007 will be paid as work on the project progresses.

(10) Contingencies

As of February 28, 2008, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 7,976,794	312,614	8,289,408	8,004,341	8,004,341	285,067
Intermediate sources	165	0	165	61,000	61,000	(60,835)
State sources	8,015,028	9,166	8,024,194	7,911,068	7,911,068	113,126
Federal sources	555,941	397,762	953,703	919,285	919,285	34,418
Total revenues	16,547,928	719,542	17,267,470	16,895,694	16,895,694	371,776
Expenditures:						
Instruction	10,174,961	0	10,174,961	10,595,938	10,618,000	443,039
Support services	4,069,816	38,024	4,107,840	4,233,372	4,330,000	222,160
Non-instructional programs	12,698	637,193	649,891	893,313	700,000	50,109
Other expenditures	3,049,009	0	3,049,009	2,250,728	3,536,033	487,024
Total expenditures	17,306,484	675,217	17,981,701	17,973,351	19,184,033	1,202,332
Excess(deficiency) of revenues over(under) expenditures	(758,556)	44,325	(714,231)	(1,077,657)	(2,288,339)	1,574,108
Other financing sources, net	6,122,582	0	6,122,582	1,000	1,000	6,124,582
Excess(deficiency) of revenues and other financing sources over(under) expenditures	5,364,026	44,325	5,408,351	(1,076,657)	(2,287,339)	7,698,690
Balance beginning of year	2,864,117	104,843	2,968,960	2,362,679	2,362,679	606,281
Balance end of year	\$ 8,228,143	149,168	8,377,311	1,286,022	75,340	8,304,971

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$1,210,682.

OTHER SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Nonmajor Special Revenue Funds				
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue Funds
ASSETS					
Cash and pooled investments	\$ 127,991	134,170	209,744	103,500	575,405
Receivables:					
Property tax:					
Current year delinquent	4,966	0	5,235	0	10,201
Succeeding year	250,000	0	275,851	0	525,851
Accounts	0	1,827	0	0	1,827
Due from other governments	26	0	27	0	53
TOTAL ASSETS	\$ 382,983	135,997	490,857	103,500	1,113,337
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 368	4,714	0	0	5,082
Salaries and benefits payable	0	528	0	0	528
Deferred revenue:					
Succeeding year property tax	250,000	0	275,851	0	525,851
	250,368	5,242	275,851	0	531,461
Fund balances:					
Unreserved	132,615	130,755	215,006	103,500	581,876
TOTAL LIABILITIES AND FUND BALANCES	\$ 382,983	135,997	490,857	103,500	1,113,337

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds				
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue Funds
REVENUES:					
Local sources:					
Local tax	\$ 250,770	0	273,630	0	524,400
Other	15,090	385,010	11,169	4,930	416,199
Intermediate sources	0	165	0	0	165
State sources	214	0	221	0	435
TOTAL REVENUES	266,074	385,175	285,020	4,930	941,199
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	87,393	0	0	0	87,393
Other instruction	500	370,749	0	0	371,249
	87,893	370,749	0	0	458,642
Support services:					
Student services	1,460	0	0	0	1,460
Instructional staff services	16,717	165	0	0	16,882
Administration services	34,150	1,297	180	0	35,627
Operation and maintenance of plant services	64,134	640	13,937	0	78,711
Transportation services	32,934	28,658	68,040	0	129,632
	149,395	30,760	82,157	0	262,312
Non-instructional programs:					
Food service operations	12,698	0	0	0	12,698
Other expenditures:					
Facilities acquisition	0	0	243,834	0	243,834
TOTAL EXPENDITURES	249,986	401,509	325,991	0	977,486
Excess(deficiency) of revenues over(under) expenditures	16,088	(16,334)	(40,971)	4,930	(36,287)
Other financing uses:					
Transfers out	0	0	0	(11,492)	(11,492)
Total other financing uses	0	0	0	(11,492)	(11,492)
Net change in fund balances	16,088	(16,334)	(40,971)	(6,562)	(47,779)
Fund balances beginning of year	116,527	147,089	255,977	110,062	629,655
Fund balances end of year	\$ 132,615	130,755	215,006	103,500	581,876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drug testing	\$ 950	0	59	891
Special checks	323	0	323	0
HS activity tickets	143	0	143	0
Athletic control	11,078	644	2,251	9,471
HS speech	2,396	35,024	37,420	0
HS vocal music	0	9,749	7,728	2,021
Harm helpers	2,059	10,681	11,614	1,126
HS band	0	2,832	2,832	0
HS band tour	1,312	3,885	4,897	300
Activities control	13,852	12,899	18,291	8,460
Athletic pass	1,217	2,855	4,072	0
Coed cross country	0	3,466	3,466	0
Tennis fundraiser	0	1,643	1,557	86
HS cheerleaders	948	3,878	3,858	968
Dance squad	4,365	9,247	13,118	494
HS boys basketball	0	12,339	12,339	0
Boys basketball fundraiser	281	8,365	6,622	2,024
HS football	0	21,636	21,636	0
Football fundraiser	2,138	17,642	12,960	6,820
HS boys soccer	5,055	3,458	8,513	0
HS baseball	0	6,323	6,323	0
Baseball fundraiser	0	12,937	9,997	2,940
HS boys track	0	2,641	2,641	0
Track fundraiser	230	683	532	381
Boys tennis	0	1,330	1,330	0
HS boys golf	0	2,160	2,160	0
Boys golf fundraiser	970	1,509	1,196	1,283
HS wrestling	0	4,783	4,783	0
Wrestling fundraiser	2,994	10,385	11,730	1,649
HS girls basketball	0	5,501	5,501	0
Girls basketball fundraiser	5,700	3,717	6,084	3,333
HS volleyball	0	4,643	4,643	0
Volleyball fundraiser	931	7,285	7,507	709
HS girls soccer	5,055	3,212	8,267	0
HS girls soccer fundraiser	0	371	175	196
HS softball	0	4,881	4,881	0
Softball fundraiser	2,962	5,172	4,879	3,255
HS girls track	0	582	582	0
Girls track fundraiser	1,038	4,075	3,931	1,182
Girls tennis	0	1,358	1,358	0
HS girls golf	0	2,796	2,796	0
Girls golf fundraiser	847	836	923	760

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS yearbook	9,753	5,675	11,990	3,438
HS winter concessions	91	5,547	5,637	1
HS class of 2007	2,211	129	0	2,340
HS class of 2008	1,750	13,015	14,115	650
HS class of 2009	2,026	80	0	2,106
HS class of 2010	2,026	80	0	2,106
HS class of 2011	0	2,078	0	2,078
HS post grads	1,696	67	0	1,763
HS BPA	1,870	10,843	10,713	2,000
Hosa	18,621	10,349	10,989	17,981
HS MOC	1,018	65	69	1,014
FCCLA	1,625	3,364	3,192	1,797
FFA	0	17,204	17,204	0
National honor society	143	373	414	102
Student senate	3,418	9,276	9,790	2,904
Spanish club	3,320	7,948	7,390	3,878
French club	77	6,397	2,686	3,788
Maquoketan	215	9	0	224
HS juice	428	11,460	11,888	0
HS SADD	405	16	0	421
MS chorus	2,650	214	1,209	1,655
MS band	4,694	11,157	11,396	4,455
MS boys athletics	4,267	5,871	3,948	6,190
MS mat refurbishing	3,040	1,143	0	4,183
MS girls athletics	2,001	4,463	2,805	3,659
MS awards	8,454	2,209	2,437	8,226
MS student council	4,113	6,118	7,104	3,127
MS card club	113	2,593	615	2,091
Elementary chorus	220	9	0	229
Total	\$ 147,089	385,175	401,509	130,755

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Stoddard Donation	\$ 98,187	4,930	0	103,117
Evans Donation	383	0	0	383
Wendell Scholarship	5,062	0	5,062	0
Joiner Scholarship	445	0	445	0
Schuman Scholarship	1,918	0	1,918	0
Other Scholarship	500	0	500	0
Zimmerman Scholarship	2,024	0	2,024	0
Bothwell Scholarship	1,205	0	1,205	0
Wolf Scholarship	338	0	338	0
Total	\$ 110,062	4,930	11,492	103,500

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FIDUCIARY FUND, PRIVATE PURPOSE TRUST
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust - Scholarship Fund							
	Wendell Scholarship	Joiner Scholarship	Schuman Scholarship	Other Scholarship	Zimmerman Scholarship	Bothwell Scholarship	Wolf Scholarship	Hute Scholarship
REVENUES:								
Local sources:								
Gifts and contributions	\$ 0	200	0	500	0	275	100	3,000
Interest income	6,589	247	543	0	94	0	0	40
	6,589	447	543	500	94	275	100	3,040
								11,588
EXPENDITURES:								
Instruction:								
Regular instruction:	5,130	0	0	500	0	0	200	0
Scholarships awarded								
	1,459	447	543	0	94	275	(100)	3,040
								5,758
OTHER FINANCING SOURCES:								
Transfers in	5,062	445	1,918	500	2,024	1,205	338	0
								11,492
Changes in net assets	6,521	892	2,461	500	2,118	1,480	238	3,040
								17,250
Net assets beginning of year	129,804	5,000	10,000	0	0	0	0	0
								144,804
Net assets end of year	\$ 136,325	5,892	12,461	500	2,118	1,480	238	3,040
								162,054

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 2,414	22,480	22,421	2,473
LIABILITIES				
Accounts payable	\$ 1,114	100	1,114	100
Due to other groups	1,300	22,380	21,307	2,373
	\$ 2,414	22,480	22,421	2,473

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 5,677,215	5,275,463	5,086,399	5,212,755
Tuition	1,417,048	1,310,925	1,344,955	1,145,634
Other	882,531	894,134	731,758	706,578
Intermediate sources	165	67,380	62,691	56,787
State sources	8,015,028	7,382,870	7,189,981	6,935,450
Federal sources	555,941	616,074	951,591	1,210,073
Total	<u>\$ 16,547,928</u>	<u>15,546,846</u>	<u>15,367,375</u>	<u>15,267,277</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 5,313,578	5,232,550	5,031,911	4,953,183
Special instruction	2,868,397	2,695,274	2,546,452	2,944,409
Other instruction	1,992,986	1,910,065	1,835,834	1,386,010
Support services:				
Student services	478,759	468,581	485,350	648,009
Instructional staff services	472,364	533,538	424,137	348,957
Administration services	1,414,106	1,294,067	1,138,680	1,056,431
Operation and maintenance of plant services	1,080,629	1,100,601	1,000,149	962,709
Transportation services	623,958	709,457	526,607	515,949
Other support services	0	0	0	900
Non-instructional programs	12,698	9,002	5,256	32,927
Other expenditures:				
Facilities acquisitions	1,593,675	202,500	2,324,435	920,702
Long-term debt:				
Principal	815,000	785,000	550,000	1,570,000
Interest and fiscal charges	135,957	45,255	55,681	115,776
AEA flow-through	504,377	462,476	453,706	451,567
Total	<u>\$ 17,306,484</u>	<u>15,448,366</u>	<u>16,378,198</u>	<u>15,907,529</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 07	\$ 47,629
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	81,031
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	269,102
			<u>350,133</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4041-G	274,371
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4041-GC	9,297
			<u>283,668</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 07	<u>3,099</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	<u>7,874</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 06	11,115
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	68,979
			<u>80,094</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 06	6,200
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 07	8,295
			<u>14,495</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 06	2,807
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 07	21,858
			<u>24,665</u>

MAQUOKETA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>25,644</u>
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 07	<u>89,158</u>
DEPARTMENT OF HUMAN SERVICES:			
MEDICAL ASSISTANCE PROGRAM (MEDICAID REIMBURSEMENT)	93.778	FY 06	<u>3,324</u>
TOTAL			<u>\$ 929,783</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Maquoketa Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Maquoketa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maquoketa Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Maquoketa Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Maquoketa Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Maquoketa Community School District's financial statements that is more than inconsequential will not be prevented or detected by Maquoketa Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Maquoketa Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maquoketa Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Maquoketa Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Maquoketa Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Maquoketa Community School District and other parties to whom Maquoketa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Maquoketa Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2008

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Maquoketa Community School District

Compliance

We have audited the compliance of Maquoketa Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Maquoketa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Maquoketa Community School District's management. Our responsibility is to express an opinion on Maquoketa Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Maquoketa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Maquoketa Community School District's compliance with those requirements.

In our opinion, Maquoketa Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Maquoketa Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Maquoketa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Maquoketa Community School District and other parties to whom Maquoketa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2008

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.010 - Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Maquoketa Community School District did not qualify as a low-risk auditee.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by different people; however, there does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit in the Special Revenue, Student Activity Fund.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-07 Photo Image Checks - We noted during our audit that District receives their checks from the bank as photo images showing only the front of the checks. Chapter 544D.114 of the Code of Iowa requires both the front and back of check images to be retained.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - We will contact the bank to receive the fronts and backs of checks.

Conclusion - Response accepted.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

MAQUOKETA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.

IV-B-07 Questionable Disbursements - We noted a disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979. The District purchased a gift certificate out of the Student Activity Fund.

Recommendation - The District should adopt a public purpose policy and refrain from purchasing gift certificates.

Response - We will review the situation and identify the public purpose for each purchase.

Conclusion - Response accepted.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Barb Bowman, Teacher Spouse owns Bowman Oil Company	Fuel	\$91,937
Joanie Bowman, Teacher Spouse owns Bowman Body Shop	Repairs	\$1,395
Kathy Klocke, Nurse Spouse owns Klocke Excavating	Bleacher Work	\$1,325
Sue Mayberry, Teacher Spouse owns Mayberry Appliance Center	Services/ Repairs	\$12
James Manderscheid, Custodian Installed Locks and Combination Changes	Purchased Services	\$583
Denny Scott, Custodian Spouse owns Ronann's Floral Shoppe	Plants and Flowers	\$1,605
Brian Moretz, Athletic Director Spouse worked school event gates	Purchased Services	\$60
Troy Thede, Board Member Owner of Decker House Inn	Gift Certificate	\$20

In accordance with Attorneys General opinion dated November 9, 1976, the transactions with the spouses do not appear to be a conflict of interest.

In accordance with Attorneys General opinion dated July 2, 1990, the transactions with James Manderscheid do not appear to be a conflict of interest.

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with the board members do not appear to represent a conflict of interest.

- IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.